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Date: 5/8/2003

GAIN Report #RO3008

Romania

Grain and Feed

Annual

2003

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Report Highlights:
A long winter with temperatures reaching historical lows have jeopardized crop perspectives for the main cereals grown in the Danube plain for MY 2003/04. AgBucharest estimates that Romania will import over 500,000 MT of wheat to cover domestic needs, while for corn Romania will likely have an export surplus of about 700,000 MT. Local prices for both food and feed grains have gone up dramatically from last year (by 50 percent, on average), due to short supplies.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Sofia [BU1], RO

Production

Weather conditions during CY2002 were particularly unfavorable to cereal production in Romania. Despite the GOR's programs to develop higher value crops, wheat and corn had been planted on over 50 percent of the total arable area of the country (together making up 5.3 million hectares), but meteorological conditions significantly diminished both harvested area and yields.

Planted late under drought conditions, winter wheat (predominant in Romania) and spring wheat crops were further stressed by a persistently dry spring during plant germination and emergence phase. The late rainfalls that lasted for six weeks during the growing season severely affected milling quality, especially gluten content. This led to an overall production of 4.3 MMT (35 percent less than a year earlier) on a total of 2.2 million HA harvested, with notable disparities in yields throughout Romania, ranging from 0.6 MT/HA in Oltenia in the southwest to over 3-3.5 MT/HA in western and southern counties (Timis, Satu Mare, Suceava). This 4 million tonnage, together with the existing stocks, should have been enough to cover domestic demand, the high inconsistency in terms of quality made imports necessary towards the end of MY 2003.

As after the socialist system dismantled, corn in the MY2003 was planted on almost 3 million hectares, being preferred by the rudimentary, poorly-equipped small producers, who continue to farm 70 percent of country's arable land. Persistent drought affected some 30 percent of the area planted to corn (especially the fields sown with early hybrids), shrinking the total harvested area to **2.6 million hectares**. April and July-August precipitation aided plant development, resulting in average **yields of 2.75 MT/HA**, with a total corn crop of 7.3 MMT**, slightly higher than 2002 production levels**.

The barley crop in the MY02/03 stood at 660,000 MT, derived from a total area of 296,000 hectares harvested and an average yield of 2.2 MT/HA, dramatically lower (i.e., almost 40 percent) than the 2002 output. Similar to the MY02/03 wheat crop, yields varied widely across different regions of the country, ranging from 0.6 MT/HA in Oltenia South West to 2.7 -3 MT/HA in North-East (Arad, Satu Mare). Barley harvested in June-July 2002 was below local standards (54-58% hectoliter weight, as compared to 62-64%).

A very long winter with temperatures well below freezing have hurt grain and feed crop development for the second year in a row, so that a downward scenario is further anticipated for marketing year 2003/2004. Though moisture parameters over October 2002-March 2003 constantly exceeded the multi-year average in most cereal growing areas (in the Baragan Plain, for instance, the accumulated soil moisture is reported to be the highest in the last twenty-five years) both air and soil temperatures reached record low levels, leading to frequent freezing-defrosting cycles down to 15-30 cm below the soil surface. Such meteorological conditions drastically affected the winter wheat and barley crops and totally compromised the two-row barley crop (especially the non-indigenous varieties, largely planted for beer production in the fall of 2002). Plant density is generally reduced, with more than 560,000 HA under wheat, for instance, it stands at less than 250 plants/sqm. The Ministry of Agriculture officially stated that large areas under different winter crops were either partly or entirely destroyed by winter freezing in different parts of the country, as follows:

- For wheat, from a total of 2.1 million HA planted in fall, 228,000 HA were totally damaged, on 74,000 HA the plants have only partly emerged, while on another 3,5000 HA plant emergence is extremely low. The most affected regions are in the southeast (Constantza – with a record of 50% of acreage damaged, Tulcea, Braila, Galatzi), in the Danube Plain (Calarasi), in the south-western counties (Mehedinti, Dolj, Arges) and in north-east (Moldova: Vaslui, Iasi, Botosani).

- For winter barley, more than 125,000 HA from a total planted area of 243,000 HA were heavily affected by the long lasting low temperatures. More than 83,000 HA planted to two-row barley (from a total of 111,000 HA) have been partly destroyed. These damages are predominant in the southeast-south counties (Dobrogea and the Baragan Plain: Constantza, Braila, Calarasi, Ialomita, Ilfov, Prahova), where barley is reported as entirely compromised. Some 100,000 HA of spring barley are forecast to be sown by the end of the planting season.

The spring agricultural planting campaign has been much delayed into April-May by a very cold month of March.

AgBucharest’s production estimates for the MY 2004 are close to 4 million tons of wheat (derived from 1.8 million HA harvested and an average yield of 2100 kilos/HA), 8 million tons of corn (as 3 million HA are expected to be planted overall and adequate moisture conditions during planting season should favor yields of 2600-2700 MT/HA in most growing regions), and, respectively, 550,000 MT of barley (from a yield averaging 2500 MT/HA on a total of 220,000 HA at harvest time).

Consumption

Food grains

A general trait of the wheat produced in Romania, (given that it is very sensitive to weather conditions), is the high inconsistency in terms of quality. As a result, a good portion of local wheat is constantly unusable in the milling industry. Last year’s production was below milling standards, as reported by traders and industry representatives. Wheat quality is defined by local standards as having gluten content of 20-26 percent and protein of 11-13 percent. Traditionally Romania imports limited amounts of wheat for blending and wheat flour (from Moldova and Hungary). Domestic mill demand exceeds 3.1 MMT (of which 120,000 MT represents the monthly urban consumption), as cereal-based products (bread) continue to dominate average consumer’s diet.

Corn is also a major calorie source in the traditional consumption pattern, still holding an important share of the rural household diet. About 800,000 MT of corn are annually consumed as food in Romania.

Beer industry consolidation in Romania began in 1995 when large multinationals entered this market. The market developed at an accelerate pace until 2001, after which production (closely following domestic consumption) nearly reached saturation. Currently the market share of the largest four producers exceeds 67 percent and concentration is expected to go up, while the beer market will likely grow by 2-3 percent annually in the coming years. Most of the barley for malt has been typically produced in Romania. The good prices offered by the beer producers have been lately an incentive to farmers to plant new varieties (many originated from France), but these proved to be very sensitive to this year's hard winter conditions and reported damages are significant.

Feed grains

Official statistics show that recovery in the livestock sector continued throughout the CY 2002. Compared to the end of December 2001, at the end of 2002 cattle inventories were up 3 percent, sheep and goat population increased by 2 percent, while annual growth in both swine breeding and poultry breeding sectors reached 8 percent respectively. Similar upward trends registered milk, poultry, and meat production.

As barley inventories were nearly exhausted by the end of July 2002, the ongoing livestock herd recovery resulted in an increased demand for corn. Though currently available corn stocks should suffice to cover consumption (traditionally standing at about 7 MMT), unfavorable perspectives for the MY03/04 wheat and barley crop make small farmers reluctant to sell, despite prevailing unusually high bids on the domestic market. Under such circumstances, in March 2003 the GOR decided to suspend import duties until July for 200,000 MT of corn, with the declared aim to avoid meat price increases.

Wheat will continue to provide a good portion of the total grains used as feed in Romania. AgBucharest estimates, however, that the low production forecast for MY03/04 will limit the use of wheat as feed to 1.3 MMT, down from 1.6 MMT during the current marketing year.

Other uses

Some 20 percent of the total corn production is expected to be acquired by the alcohol producers during MY 2004. An interesting recent development is the Ministry of Agriculture and Food's decision to discontinue direct payments for corn from the 2003 crop. This measure was taken as the procurement direct payment system for feed grains had been introduced by GOR in 2001 as part of a policy to revamp the domestic livestock sector. In the case of corn, benefits were partly diverted tot the local alcohol producers.

Given the limited crop alternatives to be planted during the 2003 spring campaign (including on the damaged winter barley and rapeseed fields, which are to be sown again), as well as the steadily growing corn prices, over 3 million hectares are forecast to be planted to corn. Currently there is a deficit of certified planting seeds of over 4,000 tons, despite the Ministry of Agriculture's program to partly cover the selling price for 23,600 MT of corn seeds. A pattern that became already typical, about half of the total acreage will be sown to corn from farmers' own production, with low genetic potential, so that expected yields, even under favorable weather conditions, are 20-25 percent lower. Moreover, such seeds have reduced germination potential, as moisture was very high at harvest time in the fall of 2002.

About 550,000 tons of wheat were used for sowing in the fall and spring campaigns of the MY 2003, and similar amounts are expected for the following marketing year.

PSD Wheat

PSD Table						
Country	Romania					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	2552	2543	2200	2190	0	1800
Beginning Stocks	900	767	1800	1507	950	937
Production	6700	6700	4300	4300	0	3900
TOTAL Mkt. Yr. Imports	165	40	300	400	0	500
Jul-Jun Imports	165	40	300	400	0	500
Jul-Jun Import U.S.	0	0	0	50	0	50
TOTAL SUPPLY	7765	7507	6400	6207	950	5337
TOTAL Mkt. Yr. Exports	585	550	200	120	0	20
Jul-Jun Exports	585	550	200	120	0	20
Feed Dom. Consumption	1750	1350	1800	1600	0	1300
TOTAL Dom. Consumption	5380	5450	5250	5150	0	5000
Ending Stocks	1800	1507	950	937	0	317
TOTAL DISTRIBUTION	7765	7507	6400	6207	0	5337

PSD Barley

PSD Table						
Country	Romania					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	316	316	300	296	0	220
Beginning Stocks	0	0	42	20	67	10
Production	1055	1055	650	660	0	550
TOTAL Mkt. Yr. Imports	71	17	150	90	0	100
Oct-Sep Imports	153	22	75	80	0	90
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1126	1072	842	770	67	660
TOTAL Mkt. Yr. Exports	384	382	150	250	0	70
Oct-Sep Exports	250	336	100	300	0	120
Feed Dom. Consumption	500	475	425	330	0	390
TOTAL Dom. Consumption	700	670	625	510	0	580
Ending Stocks	42	20	67	10	0	10
TOTAL DISTRIBUTION	1126	1072	842	770	0	660

PSD Corn

PSD Table						
Country	Romania					
Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	2910	2910	2800	2666	0	3000
Beginning Stocks	500	603	579	842	729	952
Production	7000	7000	7500	7300	0	8000
TOTAL Mkt. Yr. Imports	79	19	50	130	0	25
Oct-Sep Imports	79	19	50	130	0	25
Oct-Sep Import U.S.	0	1	0	0.4	0	0.5
TOTAL SUPPLY	7579	7622	8129	8272	729	8977
TOTAL Mkt. Yr. Exports	200	130	200	120	0	700
Oct-Sep Exports	200	130	200	120	0	700
Feed Dom. Consumption	5300	5500	5700	5900	0	6000
TOTAL Dom. Consumption	6800	6650	7200	7200	0	7300
Ending Stocks	579	842	729	952	0	977
TOTAL DISTRIBUTION	7579	7622	8129	8272	0	8977

Trade

Romania's trade regime with grains is generally considered liberal, with moderate protection and no licensing system in place, with the exception of those commodities under preferential quotas, or when the country resorts to temporary quotas in case of domestic shortages.

Specifically, for the year 2003, MFN duties and preferential arrangements granted within regional trading blocs are given in Table 1:

Table 1: Import Duties in CY2003 on Selected Grain Products (%)

HS	Commodity	MFN Tariff	Applied to imports from the EU	Applied to imports from CEFTA
1001.9099	Common wheat, other	25	18.8 for 125,000 MT	15
1001.1000	Durum wheat	Ex.	Ex.	Ex.
1001.9091	Common wheat of a kind used for sowing	25	18.8	15
1101.00	Wheat flour	40	0 for 2,250 MT	15
1003.0090	Barley, other (1)	25	18.8 for 55,882 MT	18
1003.0010	Barley of a kind used for sowing	25	18.8 for 1,118 MT	18
	Corn			
1005.9000	Corn, other	30	2.3 for 36,750 MT (2)	30 (3)
1005.10	Corn of a kind used for sowing	3	2.3 for 1,000 MT	Ex.
1006.10	Rice, paddy rice	Ex.	Ex. (4)	0
1006.20	Brown rice	10	Ex. (4)	0
100630	White rice	25	Ex. (4)	0

Ex.- tax exempted
(1) Barley for malt exempted between January 1-June 30.
(2) Part of the "Double Profit" Agreement.
(3) 20% for Poland.
(4) A 10,000 tons TRQ to enter duty-free under the "Double Profit" Agreement.

As wheat production and quality were particularly low in the MY02/03, Romania exported up to end-March 2003 about only 120,000 metric tons of, the main destinations being Spain, Turkey, Israel. Recently, FOB prices for feed wheat in Constantza port (the main transit gate) have varied around $95/MT.

Despite the modest amounts imported in the first half of the current marketing year (around 100,000 MT), another 300,000 MT of milling wheat for blending are expected until the new harvest from neighboring countries (Hungary, Moldova, Bulgaria). Romania traditionally imports higher quality baking wheat (to be blended with the domestically produced product) and wheat flour. Imports from CEFTA members come at 15 percent ad valorem preferential duty, while imports sourced in Moldova are tax exempted. Durum wheat is originated mainly from the EU (Italy, France).

Import Trade Matrix Wheat

Import Trade Matrix	
Country	Romania
Commodity	Wheat
Time period	CY
Imports for:	2002
U.S.	20
Others	
R. Moldova	50000
Hungary	41000
Bulgaria	22000
Ukraine	2000
Italy	700
Germany	230
Total for Others	115930
Others not Listed	4560
Grand Total	120510

Export Trade Matrix Wheat

Export Trade Matrix	
Country	Romania
Commodity	Wheat
Time period	CY
Exports for:	2002
U.S.	0
Others	
Spain	91000
Turkey	68000
Israel	36000
Italy	20000
Algeria	16000
The Netherlands	11000
Portugal	11000
Total for Others	253000
Others not Listed	12000
Grand Total	265000

Barley demand has remained high over the marketing year, near 240,000 MT being shipped through the period July 2002-February 2003 to Middle East and Mediterranean Region states (Saudi Arabia, Tunisia, Morocco Libya). However, as domestic inventories are nearly exhausted, this figure is not likely to change before the next harvest. Some barley for the beer industry is currently being imported, especially as this commodity enjoys tax exemption up to the end of June.

Import Trade Matrix Barley

Import Trade Matrix	
Country	Romania
Commodity	Barley
Time period	CY
Imports for:	2002
U.S.	0
Others	
Bulgaria	15,000.00
Hungary	7,000.00
R. Moldova	3,000.00
France	2,700.00
Russian Federation	1,000.00
Total for Others	28,700.00
Others not Listed	
Grand Total	28,700.00

Export Trade Matrix Barley

Export Trade Matrix	
Country	Romania
Commodity	Barley
Time period	CY
Exports for:	2002
U.S.	0
Others	
Saudi Arabia	228,000.00
Tunisia	68,000.00
Spain	31,000.00
Morocco	19,000.00
Libya	11,000.00
Total for Others	357,000.00
Others not Listed	6,400.00
Grand Total	363,400.00

Some corn imports (originated from Hungary and Moldova especially) are expected in the coming months, as domestic demand is high. The GOR has already introduced a 200,000 MT duty-free quota to be filled by the end of June. However, opportunities for U.S. exporters remain limited, as no variety of biotech corn is fully deregulated in Romania. Currently, the relevant authorities are considering granting fully commercial status to a herbicide resistant variety, previously approved for testing.

Import Trade Matrix Corn

Import Trade Matrix	
Country	Romania
Commodity	Corn
Time period	CY
Imports for:	2002
U.S.	490
Others	
Hungary	17000
R. Moldova	7000
France	200
Israel	40
Italy	29
Total for Others	24269
Others not Listed	800
Grand Total	25559

Export Trade Matrix Corn

Export Trade Matrix	
Country	Romania
Commodity	Corn
Time period	CY
Exports for:	2002
U.S.	0
Others	
Turkey	84000
Morocco	26000
Cyprus	25000
Algeria	20400
Tunisia	11000
Mozambique	9600
Libya	3700
Total for Others	179700
Others not Listed	9000
Grand Total	188700

Prices

Grain domestic prices rapidly and steadily appreciated during the current marketing year and this upward trend continues as perspectives for the new crop are modest.

Current (in-silo) prices for wheat for bread range between $130-135/MT (50 percent up compared to March-April 2002) while corn sells at $135-140/MT (60 percent more than a year earlier). Similarly, in the case of barley, bids reached $100/MT in April 2003, from less than $80/MT in April 2002. This tendency has been enhanced by the scarce grain inventories in the Black Sea region.

As almost every year, in mid-January 2003 the GOR decided to release 200,000 MT of wheat from the Strategic Reserve, to stabilize market prices at lower levels than the border parity ones and thus avoid large variations in bread retail prices.

Prices Table Wheat

Prices Table			
Country	Romania		
Commodity	Wheat		
Prices in	US$	per uom	MT
Year	2002	2003	% Change
Jan	90.1	114.7	27.30%
Feb	88.9	120.7	35.77%
Mar	89.7	129.5	44.37%
Apr	89.7	135.5	51.06%
May	92.4		
Jun	95.2		
Jul	82.1		
Aug	84.3		
Sep	90.8		
Oct	95.4		
Nov	101		
Dec	107		

Prices Table Barley

Prices Table			
Country	Romania		
Commodity	Barley		
Prices in	US$	per uom	MT
Year	2002	2003	% Change
Jan	74.6	84.5	13.27%
Feb	73.6	87.5	18.89%
Mar	76	93.4	22.89%
Apr	77.7	102.4	31.79%
May	77.5		
Jun	77.1		
Jul	69.9		
Aug	72.3		
Sep	72.6		
Oct	74.6		
Nov	74.5		
Dec	80.6		

Prices Table			
Country	Romania		
Commodity	Corn		
Prices in	US$	per uom	MT
Year	2002	2003	% Change
Jan	83.9	105.6	25.86%
Feb	85.9	114.6	33.41%
Mar	85.1	135.6	59.34%
Apr	86.7	141.6	63.32%
May	89.5		
Jun	98.2		
Jul	107.9		
Aug	112.9		
Sep	115		
Oct	77.6		
Nov	80.4		

Dec	89.5		

Domestic Support Policy

Consistent with its longer-term strategy, the Ministry of Agriculture and Food envisages two types of direct support programs, for which operations that can be defined as "commercial farms" are eligible: procurement direct payments and input subsidies. In addition, there are a number of measures aimed at partly covering irrigation and drainage control costs, pests and disease control, extension services. A newly introduced support measure refers to crop insurance, for which rates are 20 percent covered by the state. For the fiscal year 2003, $430 million from the state budget were allocated for agriculture, that is, almost 20 percent more than a year earlier.

A breakdown of the total budgetary support provided under crop programs is given in Table 2.

Table 2: Allocations for crop programs in the FY 2003

	'000 MT	US$ million*	% of agricultural budgetary outlays
Direct Subsidies			
A. Certified seed price reduction, of which:		38.3	9
▪ For corn	23.6	18.7	4
▪ For barley for malt	10	0.8	0.2
B. Direct procurement payments, of which:		69.3	16
▪ For wheat	2,500	29.8	16
▪ For barley for malt	300	1.8	0.4
Indirect subsidies			
A. Irrigation		44.8	10.4
B. Pest and disease control		4.5	1.0
C. Bank interest subsidies		3.6	0.8

*Calculated at 33,500 ROL/US$ exchange rate.